

NATIONAL DAIRY MARKET AT A GLANCE

At the Chicago Mercantile Exchange (CME), Grade AA butter increased 5 cents to \$1.7000, Grade A increased 5 cents to \$1.7000, and Grade B increased 5 cents to \$1.7000. Also at the CME, barrel cheese increased 10 cents to \$1.3100 and 40# blocks increased 10 cents to \$1.3500.

According to ERS and AMS, commercial disappearance of dairy products during the period of January - March 1998 totals 38.2 billion pounds, 0.4% more than the comparable period in 1997. Comparing disappearance levels with a year ago: butter, American cheese, NDM, and fluid milk products were all lower with only other cheese above year ago levels.

According to NASS, 153.9 billion pounds of milk were marketed in 1997 to plants by producers in the U.S., up 2.4 billion pounds (1.6%) from 1996. On average, 97% of the milk was fluid grade eligible (Grade A in most states) compared to 96% in 1996.

According to ERS, U.S. per capita consumption of dairy products on a milk equivalent, milkfat basis, totaled 580 pounds during 1997, up 5 pounds (0.9%) from 1996, but 4 pounds (0.7%) below 1995 and 11 pounds (1.9%) above 1990. Per capita consumption of fluid milk and cream products totaled 222 pounds in 1997, 2 pounds (0.9%) less than in 1996. Compared to 1990, this category was down 12 pounds (5.1%). Per capita consumption of American cheese totaled 12 pounds, unchanged from 1997 but 8.1% more than 1990. Per capita consumption of other cheese (not including cottage cheese) was 16.0 pounds, 0.3 pounds (1.9%) more than 1996 and 18.5% more than 1990. Per capita consumption of frozen products totaled 28.7 pounds, unchanged from 1996 but 1.4% more than 1990.

With most bottlers closed for an extended weekend, milk supplies over the holiday were, in general, still handled with relative ease. Milk prices were discounted at many locations to move product but, extremely low prices were

not reported. In general, manufacturers were able to clear any backlog by early in the week. Class I sales are steady to often lower following the holiday weekend, reflecting reduced school lunch demand as more systems close for the summer. Milk receipts were declining in the Southeast and are steady to lower in the East. Plant volumes in the Midwest were irregular, ranging from higher to lower. Florida continues to balance supply and demand by exporting extra volumes to out of state manufacturers. Cream prices are sharply higher reflecting increased butter prices. The higher prices have slowed some buyer interest, but others are resigned to the higher expense.

Powder markets remain in the doldrums as most prices are little changed and demand is spotty, especially following the holiday. Overall drying schedules, particularly for NDM, were heavier over the holiday weekend. Demand is often light as buyers work off current inventories. Buttermilk offerings are limited in some markets due to good interest in condensed and lighter drying schedules. The whey market is unsettled as production was often lighter than expected. Some sellers are trying to negotiate higher prices, though not always successfully. Whey offerings remain light and drying was often lighter than expected.

During the holiday abbreviated week of May 26 - 29, CCC net purchases totaled 4,359,511 pounds of NDM under the price support program from Western producers. This is the smallest total since mid-April.

SPECIALS THIS ISSUE

COMMERCIAL DISAPPEARANCE (PAGE 2)

CHEDDAR CHEESE, BUTTER, AND BFP FUTURES (PAGE 7)

INTERNATIONAL DAIRY MARKET NEWS (PAGE 8)

MILK SOLD TO PLANTS AND PERCENT FLUID GRADE (PAGE 9)

1997 PER CAPITA CONSUMPTION OF DAIRY PRODUCTS (PAGE 10)

BUTTER MARKETSCHICAGO WHOLESALE

Dollars per pound, trucklot, bulk in fiber boxes, delivered metropolitan area, prices include CCC purchase price whenever bulk butter is moving to CCC from the Midwest area.

GRADE	MAY 26	MAY 28	MAY 29
AA	\$1.6500 - 1.6600	\$1.6500 - 1.6600	\$1.6500 - 1.6600
A	\$1.6500 - 1.6600	\$1.6500 - 1.6600	\$1.6500 - 1.6600

NOTICE: Effective June 1, 1998, USDA and Dairy Market News will discontinue the Chicago Wholesale butter price series.

BUTTER HIGHLIGHTS: In cash trading at the Chicago Mercantile Exchange, all grades of bulk butter are higher. The market tone is firm. The butter industry continues to react to the sharp increases of May 22 and 29. Producers and handlers have mixed opinions as to how to approach current market conditions. Those that had been putting stocks away for future needs are questioning what effect these sharply higher prices will have on consumer buying patterns.

CHEESE MARKETS

NOTICE: The Wisconsin Assembly Point prices have been moved to page 3 and renamed the Midwest Commodity Cheddar report.

CHEESE HIGHLIGHTS: The cheese market is firm. At the Chicago Mercantile Exchange, in fairly active trading, barrels advanced 10 cents to \$1.3100 and 40 pound blocks also increased 10 cents to \$1.3500. Current demand has been generally good as buyers rebuild inventories ahead of possible price increases. Plant cheddar offerings are limited. Holiday surplus milk volumes were often lighter than expected. Competition for milk from butter/powder producers has impacted milk supplies available for cheese production.

CHICAGO MERCANTILE EXCHANGEBUTTER TRANSACTIONS ON FRIDAY, MAY 29, 1998

(CARLOT UNIT = 40,000 - 42,000 LBS.)

GRADE	PRICE CHANGE	LAST SIGNIFICANT TRANSACTION - LST
AA	+.0500	\$1.7000 : SALE 05/29/98
A	+.0500	\$1.7000 : BID 05/29/98
B	+.0500	\$1.7000 : BID 05/29/98

SALES: 3 CARS GRADE AA: 1 @ \$1.6900, 2 @ \$1.7000 (LST)

BIDS UNFILLED: 13 CARS GRADE AA: 1 @ \$1.7000, 1 @ \$1.6950, 2 @ \$1.6800, 2 @ \$1.6700, 2 @ \$1.6600, 2 @ \$1.6550, 3 @ \$1.6500

9 CARS GRADE A: 2 @ \$1.7000 (LST), 1 @ \$1.6925, 1 @ \$1.6850, 2 @ \$1.6800, 1 @ \$1.6725, 2 @ \$1.6700

8 CARS GRADE B: 2 @ \$1.7000 (LST), 1 @ \$1.6925, 1 @ \$1.6850, 2 @ \$1.6800, 2 @ \$1.6700

OFFERS UNCOVERED: NONE

CHEESE TRANSACTIONS ON THURSDAY, MAY 28, 1998

(CARLOAD UNIT = 40,000-44,000 LBS.)

CHEDDAR STYLES	PRICE CHANGE	LAST SIGNIFICANT TRANSACTION
BARRELS	+.1000	\$1.3100 : SALE 05/28/98
40# BLOCKS	+.1000	\$1.3500 : BID 05/28/98

SALES: 36 CAR BARRELS: 15 @ \$1.2500, 5 @ \$1.2550, 5 @ \$1.2650, 2 @ \$1.2775, 1 @ \$1.2800, 5 @ \$1.2900, 1 @ \$1.3025, 1 @ \$1.3075, 1 @ \$1.3100 (LST)

BIDS UNFILLED: 3 CARS BARRELS: 1 @ \$1.3025, 2 @ \$1.2300

8 CARS 40# BLOCKS: 4 @ \$1.3500 (LST), 2 @ \$1.3100, 1 @ \$1.2700, 1 @ \$1.2500

OFFERS UNCOVERED: NONE

COMMERCIAL DISAPPEARANCE: TOTAL MILK AND SELECTED DAIRY PRODUCTS--JANUARY-MARCH 1997/98 AND YEAR-TO-DATE 1996-97 ^{1/}

Item	Jan.-Mar. 1997	Percent change ^{4/}	Jan.-Mar. 1998	Percent change ^{4/}	Jan.-Dec. 1996	Percent change ^{4/}	Jan.-Dec. 1997	Percent change ^{4/}
	Million Pounds							
<u>MILK</u>								
Production	38,961	0.9	39,206	0.6	154,259	-1.0	156,603	1.8
Marketings	38,609	0.9	38,873	0.7	152,769	-1.0	155,174	1.9
Beginning Commercial Stocks ^{2/}	4,704	14.8	4,889	3.9	4,099	-3.8	4,704	14.8
Imports ^{2/}	572	19.4	721	26.0	2,911	-0.9	2,698	-7.4
Total Supply ^{3/}	43,885	1.5	44,483	1.4	159,779	-1.1	162,576	2.0
Ending Commercial Stocks ^{2/}	5,752	3.3	6,028	4.8	4,704	14.8	4,889	3.9
Net Removals ^{2/}	97	385.0	252	159.8	91	-95.9	1,109	1,173.6
Commercial Disappearance ^{3/}	38,036	2.1	38,203	0.4	154,984	-0.2	156,578	1.3
<u>SELECTED PRODUCTS ^{5/}</u>								
Butter	304.6	-6.4	277.4	-8.9	1,179.6	-0.9	1,107.9	-5.8
American Cheese	821.8	6.7	820.0	-0.2	3,229.7	2.3	3,268.6	1.5
Other Cheese	1,021.3	5.8	1,033.0	1.1	4,242.9	2.6	4,365.5	3.2
Nonfat Dry Milk	258.3	2.7	220.9	-14.5	1,009.5	9.0	895.4	-11.1
Fluid Milk Products ^{6/}	13,981.0	-0.8	13,912.4	-0.5	55,565.0	1.0	55,386.3	0.0

^{1/} Commercial disappearance includes civilian and military purchases of milk and dairy products for domestic and foreign use, but excludes farm household use and USDA donations of dairy products. Disappearance is a residual figure and therefore can be affected by any inaccuracies in estimating milk production, on-farm use, stocks, and imports. ^{2/} Milk-equivalent, milkfat basis. Calculated using slightly different factors than previously. Further changes may be made as technical parameters become available. ^{3/} Totals may not add because of rounding. ^{4/} From year earlier on a daily average basis. ^{5/} Commercial disappearance in product pounds. ^{6/} Sales. Estimate based on actual sales in Federal milk order marketing areas and California. These sales figures have not been adjusted for calendar composition. **SOURCE:** Economic Research Service, USDA. Fluid milk products - Agricultural Marketing Service, USDA. This information is now available through AutoFAX. To request a document, dial (202) 219-1107 and enter document number 11521 when prompted.

PRINT BUTTER MARKETS - GRADE AA

Effective June 15, 1998, Dairy Market News will discontinue reporting print butter in the current format. From that date forward, a premium/discount pricing structure for bulk and prints will be carried for the reported regions.

NORTHEAST

Prices are sixteen cents higher and the market tone is truly unsettled. Contacts are reeling from the jumps in cash trading levels of butter. Increases were expected, but not so large. Churning levels are moderate to heavy, but less surplus milk has been available in the past couple weeks. Demand for butter is slower as distributors take only normal, weekly needs. Some speculators have been putting bulk away for late-summer needs, but the sharply higher prices are expected to adversely effect retail sales. Some retail prices have already been passed along to consumers. Food service orders are fair to improved as summer has unofficially begun.

WHOLESALE PRICES: MIN 25 BOXES
DOLLARS PER POUND, DELIVERED EAST COAST CITIES

1/4 LB. PRINTS	:	1.8600-2.1075
1 LB. PRINTS	:	1.7750-1.9575
CHIPS/PATTIES	:	1.8375-2.0450
REDDIES	:	1.9125-2.1075
CONTINENTALS	:	1.9925-2.1675

CENTRAL

Print butter prices are sharply higher following the 16 cent increase recorded May 22 during cash trading at the Chicago Mercantile Exchange. Most butter producers/handlers were aware that the market tone was firm, but were very surprised at the level of the increase. Now that the increase has occurred, most handlers are trying to justify and rationalize the firmness and accordingly make plans for the future. Churning schedules over the past holiday weekend were active, although high cream prices caused many producers to cautiously absorb the additional volumes of available cream. Stocks of butter are reported to be sufficient for current needs, but lighter than desired for future needs. Overall buying interest is fair at best. Most buyers are reviewing inventory levels following the Memorial Day holiday before reentering the market. Typically, cream is priced off of the Grade A market, but now, some variations are starting to occur based on the AA market.

FOB CENTRAL STATES PLANTS: MIN 20,000 POUNDS, \$ PER POUND

1/4 LB. PRINTS	:	1.7500-2.1575
1 LB. PRINTS	:	1.7150-1.8775
CHIPS/PATTIES	:	1.7400-1.9500
REDDIES	:	1.8250-2.0600
CONTINENTALS	:	1.9800-2.1700

WEST

That the CME butter market increased last week didn't catch too many contacts by surprise, but the magnitude of the one week increase did leave a few scratching their heads in wonder. Butter production increased slightly over the weekend, but many churning operations were reluctant to take additional cream at these price levels. Some operations noted that bulk sales ceased for the time being, while others still report decent sales activity. Print orders are moving at a better pace. Ice cream accounts are taking only slightly more cream at this time. Temperatures remain much below normal across much of the West with record rainfall amounts. Many market people are taking a wait and see attitude toward the market.

WHOLESALE SELLING PRICES: DELIVERED WESTERN CITIES
150 - 1000 POUNDS, DOLLARS PER POUND

1/4 LB. PRINTS	:	1.9325-2.0000
1 LB. PRINTS	:	1.8575-1.9725
PATTIES	:	1.9050-2.0700
REDDIES	:	2.0300-2.0475

FOB CALIFORNIA PLANTS - GRADE AA
100 CASES AND UP, DOLLARS PER POUND

1/4 LB. PRINTS	:	1.7025-1.7375
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WEEKLY COLD STORAGE HOLDINGS - SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

	BUTTER	:	CHEESE
		:	
05/25/98	11,971	:	109,042
05/01/98	10,479	:	111,493
CHANGE	+1,492	:	-2,451
% CHANGE	+ 14	:	-2

NASS CHEDDAR CHEESE PRICE SURVEY

WEEK ENDING	40# BLOCKS			640# BLOCKS		BARRELS (adjusted to 39% moisture)		
	MN/WI	WEST	U.S.	U.S.		MN/WI	OTH STATES	U.S.
MAY 22	1.2440	1.1901	1.2019	1.2259	1.2030	1.2030	1.1828	1.1907
	893,539	4,173,209	5,559,035	1,436,599	4,055,420		6,167,629	10,223,049

Further data and revisions may be found on the Internet at: <http://usda.mannlib.cornell.edu/reports/nassr/price/cheddar/>

CHEESE MARKETS

NORTHEAST

Prices of cheddar and process items are 1 - 2 cents higher and Swiss is unchanged. The market tone is steady to firm. Production levels are seasonally heavy in the Northeast, but surplus milk volumes are easing from peak levels. Cheese offerings are fully adequate for current needs and some producers are putting cheese away for future needs. Cheddar is, more often, being put into aging programs. Demand for cheese is fair, but Memorial Day usually marks the beginning of summer and the grilling season. June Dairy Month promotions are starting and expected to help retail sales. Food service orders are fair to improved.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.2975-1.7325
Cheddar Single Daisies	:	1.2675-1.7375
Cheddar 40# Block	:	1.3875-1.5375
Process 5# Loaf	:	1.4200-1.5475
Process 5# Sliced	:	1.4400-1.6050
Muenster	:	1.4200-1.8550
Grade A Swiss Cuts 10 - 14#	:	2.2500-2.5050

MIDWEST

The cheese market is steady to firm. At the Chicago Mercantile Exchange on May 21, barrels increased 1 cent to \$1.2100 and 40# blocks increased 2 cents to \$1.2500. Since the 1998 low price of \$1.18 on April 30, blocks have recovered a total of 7 cents. Many buyers continue to build inventory as a hedge against possible higher prices later in the year and strong competition for butterfat and other solids in alternative dairy products. New orders were slow to develop after the extended holiday weekend. Despite the holiday, few cutters and/or processors were expecting to need overtime to fill orders this week. Current cheddar block and barrel offerings are tight to adequate. Cheddar buyers find an order lead time is generally needed for spot orders. Swiss sales often remain sluggish at the plant level. Cream cheese prices are sharply higher, reflecting higher butter/cream prices. Some cheese plants remain behind on orders as milk receipts have not been as high as expected or orders exceeded production forecasts. According to a few plant operators, cheese yields may be below year ago levels due to lower fat and protein levels on recent milk receipts.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.4975-1.6200
Brick And/Or Muenster 5#	:	1.5500-1.7225
Cheddar 40# Block	:	1.5150-1.9150
Monterey Jack 10#	:	1.7150-1.9150
Blue 5#	:	1.8575-2.0900
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.6000-1.9150
Grade A Swiss Cuts 6 - 9#	:	2.2000-2.4850

MIDWEST COMMODITY CHEDDAR

Dollars per pound, standard moisture basis (37.8-39.0%), carlot/trucklot, F.O.B. plants.

500# BARRELS*	:	\$1.2100 - 1.2300 (NOMINAL)
	:	(\$0.0100) (.0100)
40# BLOCKS	:	\$1.2700 - 1.2800 (NOMINAL)
	:	(\$0.0200) (.0200)

() Change from previous week. * If steel, barrel returned.

WEST

Process and natural prices ranged from steady to higher, while Swiss prices held steady. Contacts are stating that cheese sales activity has improved over the past few weeks as buyers believe that a bottom has been reached and they want to buy in before prices move any higher. Some are looking for cheese for aging purposes. Both blocks and barrels are clearing well. Some additional milk was available for processing in the Western region, but not as much as is noted some years during this holiday weekend. Cold storage stocks of cheese at the end of April total 441.2 million pounds, up 3% from last year. Swiss stocks are 12.5 million pounds, up 5% from April 1997.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.4050-1.6400
Cheddar 40# Block	:	1.4325-1.6100
Cheddar 10# Cuts	:	1.6725-1.7725
Monterey Jack 10#	:	1.6275-1.7350
Grade A Swiss Cuts 6 - 9#	:	2.2800-2.3700

FOREIGN TYPE

Prices of domestic styles are generally two cents higher with imported styles reported as unchanged. The market tone is typical for this time of year. Demand and retail sale are fair. Stocks are adequate for most needs. Reports show that 1997 cheese exports from the EU-15 were 431,000 MT, 10% below the 1996 total.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
	:	:
Roquefort	: 5.5000-6.8900	: -0-
Blue	: 2.6400-3.1400	: 1.5850-2.1950*
Gorgonzola	: 3.2400-5.9400	: 2.2400-2.4950*
Parmesan (Italy)	: TFEWR	: 2.9950-3.0350*
Romano (Italy)	: 2.0900-2.9000	: -0-
Provolone (Italy)	: 3.4400-5.5000	: 1.2575-1.7850*
Romano (Cows Milk)	: -0-	: 2.7825-3.1250*
Sardo Romano (Argentina)	: 2.6500-3.2900	: -0-
Reggianito (Argentina)	: 2.6500-3.2900	: -0-
Jarlsberg-(Brand)	: 2.7400-3.1200	: -0-
Swiss Cuts Switzerland	: -0-	: 2.2500-2.5050
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: 2.2500-2.7500	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-3.0900	: -0-
Gouda, Large	: 2.3900-3.1500	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

* = Price change.

FLUID MILK AND CREAM

E A S T

Milk production is steady to lower in most of the East. Contacts in the Northeast pretty much agree that milk output has reached its peak and is either holding or moving slightly lower. In the Southeast and Middle Atlantic areas, the weather has been very hot and milk output is falling at a more rapid rate. However, Florida handlers still sent 80+ loads of surplus milk to nearby states for processing. With schools closing, demand for milk is falling faster than production. Contacts report an easy Memorial Day weekend; some plants were even caught up Monday. Bottled milk sales are steady to slower as schools close throughout the region. However, some heavier bottling schedules were noted as processors refill the post-Memorial Day school lunch pipelines. In the Southeast, manufacturing plants are running on limited schedules, mostly on weekends. The condensed skim market is unchanged. Spot interest is improved as wet solids prices are often more attractive than NDM. The fluid cream market is highly unsettled following the 23-cent jump in the Grade A butter price and having all three grades of butter at the CME close at \$1.65. With the CME announcing the July 1 discontinuance of trading on Grades A & B, cream buyers and sellers have been formulating how they will price cream. With all three grades at \$1.65, many contacts are putting some of their post-July 1 plans into effect. Therefore, cream pricing this week is a combination of using the Grade A butter price times a lower multiple, taking the AA price (also \$1.65) less 9 cents times their normal multiple, or using the regular multiple. (The nine-cent deduct from the AA price is approximate and negotiable.) Most of these pricing plans are temporary until people see how they work. There is some reluctance to lower prices too far since the CME Grade A butter price is a major component in how USDA calculates the butterfat differentials on the BFP. Demand for cream is fairly good and supplies are reported as tight. Ice cream makers are taking normal volumes, but some have cut back on spot purchases. Nearly ideal weather over the holiday weekend aided ice cream consumption. Cream cheese makers continue to take contracted loads, but are looking for lower multiples on spot purchases. Churning activity is light to moderate.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. Producing Plants: Northeast	-	2.0904 - 2.4090
Delivered Equivalent Atlanta	-	2.0280 - 2.2775 M 2.0592 - 2.1528
F.O.B. Producing Plants: Upper Midwest	-	2.0625 - 2.3100

PRICES OF CLASS II CONDENSED SKIM, \$ PER LB WET SOLIDS

F.O.B. Producing Plants: Northeast	-	.9000 - 1.1000
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M I D W E S T

WISCONSIN SPOT SHIPMENTS:

SPOT SHIPMENTS:	LOADS
MAY 22 - 28, 1998	0
PREVIOUS WEEK	0
COMPARABLE WEEK IN 1997	0

Class I demand is irregular, steady at some locations but generally slower at those firms with appreciable school account business. Overall milk supplies were not the plant capacity challenge normally associated with the Memorial Day weekend. Prices on holiday weekend milk ranges from around class/MCP to \$2.00 below, with a lot cleared at around \$1.50 under. It appears that perhaps more of the lower priced milk was sold before the start of the weekend rather than during the weekend. This is not to say that extra milk wasn't available over the holiday weekend, just that handlers had prepared contingency plans and few unexpected problems developed. Prices on spot loads after the holiday weekend have rebounded on a limited test to as high as \$0.30 over class. Milk receipts are sliding in more areas of the upper Midwest. In Wisconsin and Minnesota, some plant operators continue to see receipts steady to slightly higher, while others feel the annual peak may have been reached and declines are occurring. A spurt in cottage cheese production in preparation for promotional activity boosted Class II sales in some markets. Cream demand

is mixed, depending on time of availability (holiday weekend versus regular workweek) and price. More operations have shifted to pricing cream based on the Grade AA market from Grade A (though the prices are currently the same). Prices are sharply higher, reflecting the increase in butter prices at the Chicago Mercantile Exchange. Some higher priced cream is being canceled and/or discounts have been offered to move additional volumes. Early hay harvest continues with the early snip test for RFV (quality) already past peak levels as early as last week in parts of Wisconsin.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	MAY 21 - 27	PREVIOUS YEAR
SLAUGHTER COWS	\$ 35.00- 41.00	\$ 37.00- 44.50
REPLACEMENT HEIFER CALVES	\$120.00-150.00	\$ 90.00-135.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	MAY 21 - 27	PREVIOUS YEAR
SLAUGHTER COWS	\$ 36.00- 40.75	\$ 37.50- 44.50

W E S T

April pool receipts of milk in California total 2.25 billion pounds, up 0.6% from last year. Cumulative output for the first four months of the year total 8.72 billion pounds, up 2.9% from the same period in 1997. The blend price, at a fat test of 3.68%, is 51 cents lower at \$12.87. The percentage of receipts used in Class 1 products is 23.20%. The April quota price is \$13.99, 20 cents lower than last month, but up 69 cents from last April. The base and overbase price is \$12.29, also 20 cents lower than last month, but up 69 cents from a year ago. Weather conditions continue to impact milk production recoveries in most parts of California. Levels vary at different locations with some slight increases noted. Solids content of the milk is higher than normal. Rains and unseasonably cool weather continue to prolong the doldrums of milk output. The wet conditions are also preventing hay drying and harvesting. The impact of the feed quality declines are not expected to show up immediately, but producers are concerned about milk output later in the year when this feed is being fed. New Mexico milk production continues to trend along at the seasonal peak. Low humidity levels and cool nights have been good for making milk in most of the state. Production plants in the state are at capacity levels and milk continues to be shipped out for processing. Arizona milk production is still below year ago levels and continues to recover from earlier wet conditions. Cream prices are higher following the sharp increases in butter prices at the CME last Friday. Multiple were lowered to offset some of the increase and range from 125 to the low 130's. More customers are wanting to buy cream on overages in California instead of multiples. Cream demand is good from most sources. Ice cream demand is noted to be lower because of the lousy weather in California. Weather conditions are wet and cooler than normal in the Pacific Northwest. Some areas have experienced record amounts of rainfall for the month of May. This is hurting the cropping situation much more than milk production. Milk production is strong seasonally, although some contacts are reporting that tests on receipts are lower than anticipated. Some corn has not been planted yet because of the wet conditions and farmers are looking at shorter maturity hybrids. Corn that did get planted looks great. Pastures are again a problem to manage efficiently. It is too wet to clip them in a timely fashion and the cattle cannot keep up with grazing. Very few loads of good quality (not rained on) first cutting hay are available. Most producers are relying on old crop hay to get by at this time. There is more competition for decent quality hay from California because they are also too wet and from Canada because they are too dry. Those hay growers that are waiting for a dry spell to begin harvesting are finding that they are losing quality and feed value on a daily basis because the crop is way past optimum maturity. Milk output continues to be strong in the northern Mountain States region. The wet and cold weather is causing more concern in that region also. The alfalfa crop is losing feed value every day that the harvest is delayed, but there are no good options. Intentions are for producers to continue adding cows and to expand operations. Milk is being handled in an efficient manner this spring, but contacts are concerned about spring 1999.

CENTRAL AND WEST DRY MILK PRODUCTS

All reports, except California manufacturing plants, were released 05/28/98 and represent FOB Central and Western production areas. Prices represent CL/TL quantities in 50 lb., 100 lb., or 25 kg. bags, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL

This is the first week that the Central range will include low and medium heat powder only. The market tone remains weak. Buyer demand is limited. Low heat continues to trade at the average to lower. Trades below the support price are occurring as some sellers try to deplete inventories, but cannot offer to the CCC because they are not government approved. A few high heat spot sales were reported in addition to the normal contracted loads. Production levels are strong and stocks continue to build at many locations. Central processor offerings to the CCC under the support program for the week of May 18 - 22 totaled 559,784 pounds.

Includes EXTRA GRADE and GRADE A, low and medium heat

NONFAT DRY MILK: 1.0150 - 1.0400 MOSTLY: 1.0250 - 1.0350

DRY BUTTERMILK - CENTRAL

Prices and the market tone are steady. Buying interest is limited and spot activity remains slow. As warmer temperatures spread throughout the country, producers anticipate that ice cream production and buttermilk usage should increase. Production levels are moderate and stocks are available for needs.

BUTTERMILK: .9325 - .9675

DRY WHEY - CENTRAL

Prices are higher on the low end of the range and the mostly. The market tone remains unsettled. Sales activity is limited for a mixed demand. Many manufacturers and resellers are aggressively seeking higher premiums, but are being met with strong price resistance from the buyers. Producer offerings remain generally light. However, contacts stated that product is available, although not always at the desired volume from the desired source. Resale offerings are more abundant. Many plants are running full force at six to seven days a week with the sizable amount of manufacturing milk available.

NONHYGROSCOPIC: .2250 - .2425 MOSTLY: .2275 - .2325

ANIMAL FEED WHEY - CENTRAL

Prices for all animal feed type products are unchanged and nominal. The market undertone remains generally weak. Feed demand and sales are seasonally slow. Hog prices remain at extremely low levels and, as a result, feeders are purchasing less. Milk replacer is generating the majority of interest. Offerings of downgraded powder are not as abundant as previously seen, but are available. The delactose market is steady to occasionally better. Sales to feed and food accounts are active. Stocks are balanced and adequate for needs.

MILK REPLACER: .1900 - .2150
STANDARD: .1750 - .2050
ROLLER GROUND: .2400 - .2450
DELACTOSE (Min. 20% protein): .3400 - .3675

LACTOSE - CENTRAL AND WEST

Prices are lower on the mostly, but unchanged on the range. The market tone is weak. Spot demand is limited. Stocks are heavier than desired at several locations and many are having trouble making sales. Several producers and resellers are lowering prices to generate interest and prevent building stocks. Offerings of feed grade lactose continue to move through the marketplace. Production levels range from steady to higher.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

EDIBLE: .1800 - .2600 MOSTLY: .2000 - .2100

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are lower as the market tone continues to soften. Demand is sluggish. Many producer and resale offerings were reported at competitive prices, but buyers have little interest. End users have sufficient inventories and are waiting on the sidelines for further price declines. The continued offerings of feed grade WPC are available at substantial discounts. Production levels are heavy and stocks are moderate to heavier.

EXTRA GRADE 34% PROTEIN: .5600 - .6100 MOSTLY: .5900 - .6000

NONFAT DRY MILK - WEST

The low/medium heat range is lower, but the mostly is unchanged. Prices are trending lower for those plants not offering NDM to the CCC. Unconfirmed prices below \$1.00 are circulating. Some contacts are questioning why prices need to be lowered as much as they have been to secure sales. Domestic spot sales are generally limited to discounted block sales and sales to the CCC under the support program. Low resale delivered prices continue to be offered and providing stiff competition for the limited interest. Drying schedules were often higher over the holiday weekend as surplus milk needed to be processed. With higher butter prices and good demand for butter, producers are increasing butter production and more NDM is being made. Some producers are filling new DEIP orders. During the week of May 18 - 22, Western and Central producers offered 8.9 million pounds of NDM to the CCC under the support program.

Includes EXTRA GRADE and GRADE A

LOW/MEDIUM HEAT: 1.0000 - 1.0350 MOSTLY: 1.0200 - 1.0300
HIGH HEAT: 1.0450 - 1.0550

DRY BUTTERMILK - WEST

Buttermilk prices are unchanged in limited trading. The market tone remains unsettled. Offerings are generally limited due to good sales of condensed buttermilk and recent light drying schedules. Demand is light because of increased usage of condensed to fill needs. There are some expectations that demand may improve because of the run up in butter and cream prices. Drying schedules were a little higher at some locations over the holiday weekend. Some plants are building stocks, but producers are not currently discounting to move product. Inventories range from light to moderate levels.

BUTTERMILK: .9000 - .9400 MOSTLY: .9100 - .9300

DRY WHEY - WEST

Western whey range prices are fractionally lower, while the mostly held steady in more active trading. The price decline of last week did stimulate quite a bit of additional buying interest. Stocks are in much closer balance with demand this week. Additional export and domestic sales were noted at the lower prices. Production was up following the holiday weekend, but not as much as anticipated.

NONHYGROSCOPIC: .2150 - .2350 MOSTLY: .2200 - .2300

CALIFORNIA MANUFACTURING PLANTS

The weighted average price for Extra Grade and Grade A Nonfat Dry Milk for the seven day period ended May 22, on powder sales of 10,312,245 pounds f.o.b. California manufacturing plants was \$1.0355 per pound. This compares to 6,382,713 pounds at \$1.0370 for the previous week ending May 15, 1998. Prices for both periods were influenced by the effect of long-term contract sales. Compiled by the Dairy Marketing Branch, California Department of Food and Agriculture.

NORTHEAST, SOUTHEAST, AND NATIONAL MILK PRODUCTS

All reports represent carlot/trucklot quantities in 50 lb., 100 lb., or 25 kg. bags, spray process, dollars per pound, unless otherwise specified. Delivered Southeast is delivered equivalent Atlanta.

NONFAT DRY MILK - NORTHEAST AND SOUTHEAST

Prices and the market tone are unchanged. Production levels during and after the Memorial Day weekend were lighter than expected. Some contacts commented that the expected glut of milk didn't occur and it was just like any other weekend. For the most part, milk production is moving off the peak levels and butter/powder plants are not as pressured to clear all the milk. Some dryers are making more high heat powder. Plant stocks are moderate to heavy, but well below anticipated levels. Some producers are purposely building stocks to carry them through the summer when milk is needed in other areas and/or volumes drop seasonally. Demand for NDM is, at best, lackluster. Some small DEIP orders have been contracted.

Includes EXTRA GRADE and GRADE A, all heat treatments

F.O.B. NORTHEAST: 1.0200 - 1.1100 MOSTLY: 1.0300 - 1.0500
DELVD SOUTHEAST: 1.0550 - 1.0825

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are unchanged and the market tone is steady. Production of dry buttermilk is up slightly, but orders for condensed buttermilk are also improving which reduces drying schedules. Seasonally, ice cream producers increase orders for condensed buttermilk. This may be particularly true this summer as butter/cream prices are so high and the fat content of buttermilk makes it quite attractive to users. Producer stocks are closely balanced with sales. Most dryers have little on hand. Demand for powder is fair to good.

F.O.B. NORTHEAST: .9400 - .9600
DELVD SOUTHEAST: .9400 - 1.0025

DRY WHOLE MILK - NATIONAL

Prices and the market tone are unchanged. Some instances of higher asking prices were noted, but no sales were reported at the higher prices. The current, high butterfat value has prompted producers to adjust prices higher or they are separating their milk, selling the cream, and drying skim. Production is often lighter. Most of the output is to fill existing contracts. Spot interest is slow to fair and most producers don't want too much inventory on hand during the hot, summer months.

F.O.B. PRODUCING PLANT: 1.2075 - 1.3800

DEIP BID ACCEPTANCE SUMMARY

JULY 1, 1997 THROUGH MAY 22, 1998
WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK	--	91,859	MT (202,512,351 LBS)
CHANGE	--	-357	MT (787,042 LBS)*
WHOLE MILK POWDER	--	7,487	MT (16,505,840 LBS)
Program allocations filled			
CHEESE	--	3,510	MT (7,738,146 LBS)
CHANGE	--	100	MT (220,460 LBS)
Program allocations filled			
BUTTERFAT	--	15,648	MT (34,497,580 LBS)

Allocations for the DEIP year beginning July 1, 1997, are:
Nonfat dry milk - 92,217 MT; Whole Milk Powder - 7,487 MT;
Cheese - 3,510 MT; Butterfat - 34,232 MT.

*There was a reallocation to the Caribbean and Mexico of 3,427 MT of unshipped NDM for this year's program and new bid acceptances totaling 3,070 MT.

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are unchanged to fractionally higher. The market tone is mixed. We have seen this pattern before and it is one where producers are pretty well cleaned out and report good interest, but traders report adequate availability and sluggish interest. Production patterns are somewhat puzzling. Dryers report steady, moderate output, but there are reports that condensed or liquid whey is readily available and occasionally excessive of dryers' needs. Some new export interest is evident, but it may be the same potential sale reported by several producers. Spot demand for whey is fair and clearing any offerings that producers may have, even at fractionally higher prices. Resale interest is fair, but some traders who are asking larger premiums are meeting with some resistance.

F.O.B. NORTHEAST: EXTRA GRADE .2275 - .2325
USPH GRADE A .2375 - .2450
DELVD SOUTHEAST: .2450 - .2725

ANIMAL FEED WHEY - NORTHEAST

Prices remain too few to report and the market tone is unchanged. Dry whey offerings range from light to adequate for the slow to fair spot demand. Contacts continue to report a generally slow demand from animal feed users and producers.

F.O.B. NORTHEAST: MILK REPLACER TFEWR

EVAPORATED MILK - NATIONAL

Prices and the market tone are unchanged. Production levels are steady to a little lighter as milk supplies ease. Some additional milk was available early in the Memorial Day weekend, but some producers were disappointed in the volumes available during that holiday weekend. Many see that weekend as one when they can obtain some distressed or lower priced milk. This year, those extra loads materialized well before Memorial Day. However, with milk prices expected to drop again, producers are busy trying to build their inventories. Demand for evaporated milk is seasonally fair.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$22.50 - 33.00

Excluding promotional and other sales allowances. Included new price announcements.

CASEIN - NATIONAL

Casein prices are steady to lower. Prices at the top end of the reported ranges are higher than current market conditions are indicating, but the deliveries are based on agreements arranged prior to the recent weakness in the market. In the past, casein has been priced on a quarterly basis, but now, many buyers are negotiating for prices on shorter terms. The overall market tone is weak. Stocks of both rennet and acid are readily available.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 2.0500 - 2.1600
ACID: 2.0000 - 2.1000

COFFEE, SUGAR, & COCOA EXCHANGE AND CHICAGO MERCANTILE EXCHANGE FUTURES

Selected settling prices, (open interest), and volume 1/

Month	05/13	05/14	05/15	05/18	05/19	05/20	05/21	05/22	05/25	05/26	CSCE -
BFP -- Dollars per cwt.											
MAY 98	11.23 (363) 20	11.28 (343) 51	11.18 (343) 0	11.17 (343) 1	11.20 (343) 0	11.23 (356) 20	11.20 (356) 0	10.99 (356) 1	NO TRADING	11.15 (356) 0	
JUN 98	11.38 (206) 2	11.55 (214) 8	11.52 (221) 7	11.58 (221) 0	11.80 (225) 12	11.80 (226) 12	11.84 (226) 0	11.84 (226) 0		11.95 (226) 1	
JUL 98	11.78 (197) 0	11.75 (197) 0	11.73 (201) 4	11.75 (201) 1	11.90 (202) 4	11.83 (202) 1	11.92 (202) 5	11.98 (196) 0		12.15 (196) 0	
AUG 98	12.33 (55) 1	12.45 (55) 0	12.30 (55) 0	12.30 (55) 0	12.40 (55) 0	12.40 (55) 1	12.40 (55) 0	12.40 (55) 1		12.58 (56) 0	
SEP 98	12.87 (39) 0	12.85 (40) 1	12.85 (41) 1	12.80 (41) 0	12.90 (45) 13	12.92 (47) 4	12.95 (50) 3	12.88 (50) 0		13.10 (52) 9	
OCT 98	12.93 (22) 0	12.91 (22) 0	12.88 (23) 1	12.78 (23) 0	12.98 (26) 5	12.98 (30) 4	12.98 (34) 4	12.98 (36) 2		13.05 (34) 0	
NOV 98	12.83 (3) 0	12.82 (5) 2	12.79 (5) 0	12.69 (5) 0	12.80 (6) 1	12.81 (8) 4	12.90 (10) 2	12.93 (10) 0		12.98 (10) 0	
DEC 98	12.80 (27) 0	12.71 (28) 1	12.67 (28) 0	12.62 (28) 0	12.72 (28) 0	12.72 (29) 1	12.73 (30) 1	12.75 (30) 0		12.95 (31) 2	

CME - BUTTER -- Cents per pound

MAY 98	148.00 (21) 1	148.00 (21) 0	149.00 (22) 1	161.50 (22) 1	162.00 (22) 1						
JUL 98	143.00 (26) 0	145.50 (26) 0	147.00 (26) 0	148.50 (26) 0	150.25 (26) 0	150.25 (26) 0	152.75 (26) 0	157.75 (26) 0	NO TRADING	162.75 (26) 0	
SEP 98	144.00 (1) 0	144.50 (1) 0	144.50 (1) 0	146.00 (1) 0	146.05 (1) 0	148.55 (1) 0	151.05 (1) 0	156.05 (1) 0		161.05 (1) 0	

CME - BFP -- Dollars per cwt.

MAY 98	11.24 (439) 44	11.27 (433) 107	11.19 (433) 3	11.15 (433) 21	11.18 (427) 24	11.20 (436) 26	11.15 (435) 2	11.14 (435) 12	NO TRADING	11.13 (470) 1	
JUN 98	11.42 (441) 21	11.63 (444) 25	11.52 (445) 18	11.50 (445) 20	11.70 (455) 23	11.70 (444) 23	11.77 (444) 3	11.81 (444) 1		11.90 (446) 12	
JUL 98	11.68 (509) 14	11.75 (507) 12	11.50 (507) 1	11.71 (507) 5	11.85 (510) 15	11.90 (499) 21	11.92 (499) 0	11.95 (499) 0		11.90 (503) 18	
AUG 98	12.32 (275) 1	12.40 (286) 39	12.20 (286) 2	12.21 (287) 3	12.32 (323) 48	12.39 (330) 23	12.39 (330) 0	12.39 (330) 0		12.70 (329) 22	
SEP 98	12.93 (125) 6	12.98 (135) 18	12.95 (136) 1	12.95 (135) 1	12.98 (140) 98	12.99 (163) 27	13.00 (163) 2	13.00 (163) 0		14.50 (180) 21	
OCT 98	12.98 (103) 5	13.03 (109) 7	13.03 (110) 1	13.00 (110) 0	13.10 (104) 51	13.09 (104) 1	13.09 (115) 16	13.01 (115) 1		14.51 (122) 9	
NOV 98	12.85 (76) 2	12.82 (79) 6	12.84 (79) 0	12.84 (79) 0	12.89 (81) 3	12.94 (82) 1	12.94 (82) 0	12.97 (82) 0		12.98 (83) 1	
DEC 98	12.76 (174) 3	12.77 (175) 1	12.78 (176) 2	12.78 (176) 0	12.81 (172) 6	12.85 (174) 2	12.85 (174) 0	12.87 (174) 0		12.94 (174) 0	
JAN 99	12.45 (9) 0	12.49 (9) 0	12.56 (9) 0	12.56 (9) 0	12.57 (11) 2	12.78 (11) 1	12.65 (11) 0	12.63 (11) 0		12.65 (12) 1	

CME - CHEDDAR CHEESE -- Cents per pound

MAY 98	121.50 (103) 0	124.00 (76) 60	124.00 (76) 0	124.00 (76) 0	124.50 (70) 6	127.00 (68) 5	126.00 (68) 0	126.00 (68) 0	NO TRADING	125.50 (59) 10	
JUL 98	125.50 (121) 0	127.00 (121) 0	125.60 (121) 0	125.60 (121) 0	126.05 (121) 0	127.00 (121) 0	127.05 (121) 0	129.00 (121) 0		131.025 (121) 0	
SEP 98	141.00 (70) 0	143.50 (70) 0	145.50 (70) 0	143.00 (70) 0	143.00 (70) 0	143.00 (70) 0	143.00 (70) 0	142.00 (70) 0		144.50 (70) 0	

1/ At the CSCE Open interest for NDM -- 44,000 pounds per contract, Cheddar Cheese -- 10,500 pounds per contract, Fluid Milk -- 50,000 pounds per contract, BFP -- 100,000 pounds per contract. At the CME Open interest for Cheddar Cheese -- 40,000 pounds per contract and BFP -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-224-5088 or the CSCE's Soft Fax at 212-742-6111.

INTERNATIONAL DAIRY MARKET NEWS

Information gathered May 18 - 29, 1998

Prices are U.S. Dollars per MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

WESTERN AND EASTERN EUROPE

OVERVIEW: WESTERN EUROPE: Milk production throughout Europe continues to build seasonally. The hot temperatures of a few weeks ago have moderated which had a slowing affect on production growth, but basically did not hinder overall output. As in other areas of the world, the recent re-allocations of 30,000 MT of unshipped DEIP skim milk powder from the United States is the hot topic of discussion. European traders are viewing this action as further delaying or postponing any potential sales to Mexico and the Caribbean. Outside of these developments, the market tone for European product prices is somewhat firmer. A weaker U.S. dollar is helping prices firm slightly. Lagging sales for skim milk powder and butter are causing increasing volumes of these products to be offered into intervention and PSA storage programs. Whole milk powder demand is somewhat stronger with prices also slightly higher.

BUTTER/BUTTEROIL: European butter prices are steady to higher. The firmness is not being generated by more active buyer interest, but by a weaker U.S. dollar. Production of butter is increasing as milk output builds seasonally. Sales activity remains light, but some producers/handlers are more optimistic about potential sales than they have been for quite some time. Offerings to PSA storage continue.

82% BUTTERFAT:	1,700 - 2,000
99% BUTTERFAT:	2,200 - 2,300

SKIM MILK POWDER (SMP): Skim powder markets are generally steady at unchanged prices. Buying interest remains light and unaggressive. Clearances to intervention continue to occur. At this time, producers in Germany, Sweden, Ireland, and The United Kingdom have offered the majority of powder to intervention with producers in the Netherlands to start offering soon. At the current rate of offerings and projected clearances during the next 3 months, European traders do not anticipate that the August 31, 109,000 MT intervention limit will be attained. European traders continue to closely monitor the recent re-allocations of U.S. unshipped DEIP powder to potential markets in Mexico and the Caribbean.

1.25% BUTTERFAT:	1,450 - 1,550
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WHOLE MILK POWDER (WMP): Whole milk powder prices are steady to higher with a firm market tone. Stocks of powder are reported to be limited for immediate shipment. In many instances, whole milk powder producers are fully committed well into June with some committed into July. As in the past, whole milk powder is generated once orders have been secured with minimal amounts available for spot sale. Sales of whole milk powder are basically the most active manufactured dairy product at this time.

26% BUTTERFAT:	1,750 - 1,800
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SWEET WHEY POWDER: European whey prices are steady to higher. The overall market tone is firm. Whey stocks vary depending on area of production and demand. Current buying patterns are centering around internal use versus international clearances. Whey powder production is increasing as milk and cheese production build seasonally.

NONHYGROSCOPIC:	575 - 690
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OVERVIEW: EASTERN EUROPE: Milk production in Eastern Europe continues to increase seasonally. Weather conditions are also very conducive to steady production growth. Stocks of manufactured dairy products vary from country to country, but overall supplies are sufficient for current buyer interest. Buying interest is slow with the most interest centering around whole milk powder.

OCEANIA

OVERVIEW: Milk production in New Zealand and Australia has basically come to a seasonal end. Cumulative production figures are showing that output is ahead of last year, but not nearly as strong as early trends were indicating. Favorable amounts of moisture have fallen in the dry dairy regions of Australia which are welcomed by producers as the winter season approaches. Many Oceania traders continue to respond to the recent USDA announcement of the re-allocated SMP that can clear to potential international buyers, especially Mexico and the Caribbean. They are stating that this will further displace possible sales from Australia and New Zealand. Overall international buyer interest is light and unaggressive. Inventory levels of most manufactured dairy products are sufficient for current buyer needs. It is reported that year-end milk production is being directed towards cheese output versus other manufactured dairy products.

BUTTER: Butter prices are basically unchanged within the Oceania region. Stock levels are reported to be generally in good balance. In instances, stocks are listed as not readily available for spot needs. Although butter is in inventory, much of the stock is earmarked or already committed. International buying interest remains slow and unaggressive. Traditional markets continue to absorb Oceania butter, but alternative outlets are also being pursued with U.S. interests being possible buyers.

82% BUTTERFAT:	1,650 - 1,750
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CHEDDAR CHEESE: Cheese prices are generally steady, although a slight weakness did occur at the upper end of the reported price range. Typical market buying patterns continue to be plagued by the unsettled financial situation in Southeast Asia. As in other dairy product markets, alternative markets continue to be sought for potential sales. Stock levels are reported to be in a comfortable balance. Some cheese handlers are stating that year end milk production is being directed toward cheese production versus other manufactured dairy products.

39% MAXIMUM MOISTURE:	1,800 - 2,000
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SKIM MILK POWDER (SMP): Skim milk powder prices are unchanged. Much of current conversation is centering around the re-allocation of the unshipped DEIP powder from the United States. Oceania traders are stating that this will have a negative impact on potential sales for them into the Mexican and Caribbean markets. The 30,000MT re-allocation, will only further depress sales out of the Oceania region. Oceania traders continue to seek alternative markets for their dairy products.

1.25% BUTTERFAT:	1,450 - 1,500
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WHOLE MILK POWDER (WMP): Whole milk powder prices are unchanged. The market tone is steady, but the undertone is somewhat firmer. Although overall sales remains light and unaggressive, indications of slight improvement are noted. Whole milk powder stocks are reported to be in comfortable balance with potential sales as the milk production season draws to a close.

26% BUTTERFAT:	1,700 - 1,750
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Exchange rates for selected foreign currencies: May 26, 1998

.5012 Dutch Guilder	.5647 German Mark
.1684 French Franc	.5342 New Zealand Dollar
.1138 Mexican Peso	.6208 Australian Dollar
1.6363 British Pound	.0073 Japanese Yen
.2905 Polish Zloty	

To compare the value of 1 US Dollar to Mexican Pesos: (1/.1138) = 8.7873. That is 1 US Dollar equals 8.7873 Mexican Pesos.

Source: "Wall Street Journal"

**MILK SOLD TO PLANTS AND DEALERS BY PRODUCERS, AND PERCENT FLUID GRADE, BY
STATE, 1996 AND 1997 ^{1/}**

State	1996		1997	
	Quantity	Percent fluid grade ^{2/}	Quantity	Percent fluid grade ^{2/}
	Mil. lbs.	Percent	Mil. lbs.	Percent
AL	430	100	414	100
AK	12.5	100	13.9	100
AZ	2,463	100	2,652	100
AR	673	98	623	98
CA	25,239	96	27,039	99
CO	1,560	100	1,590	100
CT	479	100	488	100
DE	139	100	152	100
FL	2,396	100	2,472	100
GA	1,460	100	1,465	100
HI	125.9	100	119.3	100
ID	4,695	93	5,153	96
IL	2,302	94	2,284	94
IN	2,126	91	2,149	91
IA	3,724	90	3,934	92
KS	1,185	97	1,271	97
KY	1,812	98	1,774	98
LA	823	100	779	100
ME	632	100	645	100
MD	1,311	100	1,322	100
MA	418	100	413	100
MI	5,360	99	5,350	99
MN	9,330	90	9,100	92
MS	655	100	630	100
MO	2,404	93	2,329	94
MT	294	100	284	100
NE	1,025	92	1,015	94
NV	465	100	471	100
NH	319	100	323	100
NJ	293	100	295	100
NM	3,696	100	3,946	100
NY	11,320	100	11,380	100
NC	1,268	99	1,239	99
ND	785	57	685	59
OH	4,330	94	4,385	94
OK	1,246	99	1,258	99
OR	1,519	98	1,515	99
PA	10,280	99	10,394	99
RI	30.8	100	31.6	100
SC	375	100	387	100
SD	1,460	57	1,370	60
TN	1,605	98	1,585	98
TX	6,098	100	5,747	100
UT	1,472	91	1,473	91
VT	2,533	100	2,565	100
VA	1,790	99	1,844	99
WA	5,052	100	5,081	100
WV	249	99	263	99
WI	22,114	92	22,117	93
WY	81.3	81	79.1	81
U.S.	151,455	96	153,894	97

^{1/} Includes the equivalent amounts of milk for cream sold to plants and dealers. ^{2/} Percentage of milk sold to plants and dealers that is eligible for fluid use (Grade A in most states). Includes fluid-grade milk used in manufacturing dairy products.

SOURCE: "Milk Production, Disposition, and Income, 1997 Summary" DA 1-2(98), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

1997 PER CAPITA CONSUMPTION OF DAIRY PRODUCTS

Per capita consumption of fluid milk and cream products totaled 222 pounds in 1997, 2 pounds (0.9 percent) less than in 1996. Compared to 1990 this category was down 12 pounds (5.1 percent).

Per capita consumption of American cheese totaled 12 pounds, unchanged from 1997 but 8.1 percent more than 1990. Per capita consumption of other cheese (not including cottage cheese) was 16.0 pounds, 1.9 percent more than 1996 and 18.5 percent more than 1990.

Per capita consumption of frozen products totaled 28.7 pounds, unchanged from 1996 but 1.4 percent more than 1990.

PER CAPITA CONSUMPTION OF DAIRY PRODUCTS, UNITED STATES, SELECTED YEARS, 1975-97 ^{1/}

Year	Total dairy products <u>2/</u>	Fluid milk and cream <u>3/</u>	Butter	Cheese			Evaporated and condensed	
				American	Other	Cottage	Bulk and canned, whole milk	Bulk and canned, skim milk
	Pounds							
1975	539	261	4.7	8.4	6.1	4.7	5.3	3.6
1980	543	246	4.5	9.6	7.9	4.5	3.8	3.3
1985	594	241	4.9	12.2	10.4	4.1	3.6	3.8
1990	569	234	4.4	11.1	13.5	3.4	3.2	4.8
1991	566	233	4.4	11.1	13.9	3.3	3.2	5.0
1992	566	231	4.4	11.3	14.7	3.1	3.2	5.2
1993	574	226	4.7	11.4	14.8	2.9	3.0	5.2
1994	586	226	4.8	11.5	15.3	2.8	2.6	5.5
1995	584	223	4.5	11.8	15.4	2.7	2.3	4.5
1996	575	224	4.3	12.0	15.7	2.6	2.3	4.1
1997 <u>6/</u>	580	222	4.2	12.0	16.0	2.7	2.6	4.0

Year	Frozen products				Dry milk products			
	Ice cream	Ice milk	Sherbet	Other frozen dairy products ^{4/}	Dry whole milk	Nonfat dry milk	Dry buttermilk	Dry whey ^{5/}
Pounds								
1975	18.5	7.7	1.5	1.0	0.1	3.3	0.2	2.2
1980	17.5	7.1	1.3	0.3	0.3	3.0	0.2	2.7
1985	18.1	6.9	1.3	1.3	0.4	2.3	0.2	3.5
1990	15.8	7.7	1.2	3.6	0.6	2.9	0.2	3.7
1991	16.3	7.4	1.1	4.3	0.4	2.6	0.2	3.6
1992	16.3	7.1	1.2	4.4	0.5	2.8	0.2	3.8
1993	16.1	6.9	1.3	5.0	0.4	2.5	0.2	3.8
1994	16.1	7.6	1.4	4.9	0.4	3.5	0.2	3.6
1995	15.7	7.5	1.3	4.9	0.4	3.5	0.2	3.4
1996	15.9	7.6	1.3	3.9	0.4	3.8	0.2	3.4
1997 ^{6/}	16.2	7.9	1.3	3.3	0.4	3.4	0.2	3.4

^{1/} Based on total population except for fluid products (resident population). ^{2/} Milk-equivalent, milkfat basis. ^{3/} Product weight of beverage milks, fluid creams, eggnog, and yogurt. ^{4/} Includes mellorine. May not be comparable across time. ^{5/} Includes modified whey products. ^{6/} Preliminary.

SOURCE: "Livestock, Dairy, and Poultry Monthly", LDP-51, May 20, 1998, Economic Research Service, USDA. For more information, contact James J. Miller, or Laverne T. Williams, (202) 694-5184.

CCC PURCHASES OF DAIRY PRODUCTS

	FOR THE WEEK OF MAY 25 - 29, 1998			CUMULATIVE TOTALS			UNCOMMITTED INVENTORIES		
	TOTAL	CONTRACT	ADJUSTED	SINCE	SAME PERIOD	PERIOD ENDING	SAME PERIOD		
	PURCHASES	ADJUSTMENTS	PURCHASES	10/01/97	LAST YEAR	05/22/98	LAST YEAR		
BUTTER									
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE									
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	-0-	483,600	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	483,600	-0-	-0-	-0-	-0-
NONFAT DRY MILK									
Nonfortified	4,746,391	386,880	4,359,511	85,856,474	709,427	-0-	-0-	-0-	-0-
Fortified	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	4,746,391	386,880	4,359,511	85,856,474	709,427	-0-	-0-	-0-	-0-

MILK EQUIVALENT, MILKFAT AND SKIM SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT*	SKIM**		MILKFAT*	SKIM**
	BASIS	SOLIDS		BASIS	SOLIDS
WEEK OF MAY 25 - 29, 1998 =	1.0	50.7	COMPARABLE WEEK IN 1997 =	0.2	8.3
CUMULATIVE SINCE OCTOBER 1, 1997 =	18.9	999.4	CUMULATIVE SAME PERIOD LAST YEAR =	4.6	13.0
CUMULATIVE JANUARY 1 - MAY 29, 1998 =	17.2	908.0	COMPARABLE CALENDAR YEAR 1997 =	4.6	13.0

* Factors used for Milkfat Solids Basis: Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis: Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

	CCC ADJUSTED PURCHASES SINCE 10/1/97 AND SAME PERIOD LAST YEAR (POUNDS)			AND MILK EQUIVALENT AS A PERCENT OF TOTAL		
	BUTTER	CHEESE	NONFAT DRY MILK	MILK EQUIVALENT		
REGION	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97
MIDWEST	-0-	-0-	483,600	7,382,984	-0-	8.6
WEST	-0-	-0-	-0-	78,275,131	709,427	91.2
EAST	-0-	-0-	-0-	198,359	-0-	0.2
TOTAL	-0-	-0-	483,600	85,856,474	709,427	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER JANUARY 1, 1998MANUFACTURING MILK: Average Test 3.67% - \$10.05 per cwt.; 3.5% - \$9.95DOLLARS PER POUNDBUTTER: Bulk \$.6500; 1# Prints \$.6800CHEESE: 40 & 60# Blocks \$1.1150; 500# Barrels \$1.0850; Process American 5# \$1.1675; Process American 2# \$1.2075NONFAT DRY MILK: Nonfortified \$1.0280; Fortified \$1.0380; Instant \$1.1855Dairy Cow & Total Cow Slaughter under Federal Inspection, by Regions & U.S., for Week Ending 05/09/98 & Comparable Week 1997 1/ 2/

Regions*	1	2	3	4	5	6	7	8	9	10	U.S. TOTAL	% DAIRY OF ALL
											WEEK : SINCE JAN 1	WEEK : SINCE JAN 1
1998-Dairy cows HD (000)	0.3	1.4	5.5	4.9	18.2	2.3	2.3	0.9	8.6	2.8	47.3	1,040.6
1997-Dairy cows HD (000)	0.4	1.4	6.1	5.4	21.8	2.3	2.6	1.3	8.2	2.9	52.4	1,121.1
1998-All cows HD (000)	0.3	1.5	7.7	14.6	25.3	17.4	17.2	6.0	10.7	6.8	107.4	2,146.9
1997-All cows HD (000)	0.4	1.5	7.8	16.8	29.3	16.3	18.3	8.7	11.5	6.7	117.4	2,413.4

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CCC MARKET PRICE INVITATIONS (POUNDS) 5/14

CUMULATIVE TOTAL CHEESE PURCHASES SINCE 10/1/97 = 47,474,195

CUMULATIVE TOTAL NDM PURCHASES SINCE 10/1/97 = 85,979

BASIC FORMULA PRICE (BFP), MAY 1995* TO DATE & HISTORIC M-W (3.5% BF, \$/CWT.)

YEAR	JAN.	FEB.	MAR.	APR.	MAY	JUN.	JUL.	AUG.	SEP.	OCT.	NOV.	DEC.
1994	12.41	12.41	12.77	12.99	11.51	11.25	11.41	11.73	12.04	12.29	11.86	11.38
1995	11.35	11.79	11.89	11.16	*11.12	11.42	11.23	11.55	12.08	12.61	12.87	12.91
1996	12.73	12.59	12.70	13.09	13.77	13.92	14.49	14.94	15.37	14.13	11.61	11.34
1997	11.94	12.46	12.49	11.44	10.70	10.74	10.86	12.07	12.79	12.83	12.96	13.29
1998	13.25	13.32	12.81	12.01								

CHEESE MARKETS

NORTHEAST

Prices of cheddar and process items are 1 - 2 cents higher and Swiss is unchanged. The market tone is steady to firm. Production levels are seasonally heavy in the Northeast, but surplus milk volumes are easing from peak levels. Cheese offerings are fully adequate for current needs and some producers are putting cheese away for future needs. Cheddar is, more often, being put into aging programs. Demand for cheese is fair, but Memorial Day usually marks the beginning of summer and the grilling season. June Dairy Month promotions are starting and expected to help retail sales. Food service orders are fair to improved.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.2975-1.7325
Cheddar Single Daisies	:	1.2675-1.7375
Cheddar 40# Block	:	1.3875-1.5375
Process 5# Loaf	:	1.4200-1.5475
Process 5# Sliced	:	1.4400-1.6050
Muenster	:	1.4200-1.8550
Grade A Swiss Cuts 10 - 14#	:	2.2500-2.5050

MIDWEST

The cheese market is steady to firm. At the Chicago Mercantile Exchange on May 21, barrels increased 1 cent to \$1.2100 and 40# blocks increased 2 cents to \$1.2500. Since the 1998 low price of \$1.18 on April 30, blocks have recovered a total of 7 cents. Many buyers continue to build inventory as a hedge against possible higher prices later in the year and strong competition for butterfat and other solids in alternative dairy products. New orders were slow to develop after the extended holiday weekend. Despite the holiday, few cutters and/or processors were expecting to need overtime to fill orders this week. Current cheddar block and barrel offerings are tight to adequate. Cheddar buyers find an order lead time is generally needed for spot orders. Swiss sales often remain sluggish at the plant level. Cream cheese prices are sharply higher, reflecting higher butter/cream prices. Some cheese plants remain behind on orders as milk receipts have not been as high as expected or orders exceeded production forecasts. According to a few plant operators, cheese yields may be below year ago levels due to lower fat and protein levels on recent milk receipts.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.4975-1.6200
Brick And/Or Muenster 5#	:	1.5500-1.7225
Cheddar 40# Block	:	1.5150-1.9150
Monterey Jack 10#	:	1.7150-1.9150
Blue 5#	:	1.8575-2.0900
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.6000-1.9150
Grade A Swiss Cuts 6 - 9#	:	2.2000-2.4850

MIDWEST COMMODITY CHEDDAR

Dollars per pound, standard moisture basis (37.8-39.0%), carlot/trucklot, F.O.B. plants.

500# BARRELS*	:	\$1.2100 - 1.2300 (NOMINAL)
	:	(\$0.0100) (.0100)
40# BLOCKS	:	\$1.2700 - 1.2800 (NOMINAL)
	:	(\$0.0200) (.0200)

() Change from previous week. * If steel, barrel returned.

WEST

Process and natural prices ranged from steady to higher, while Swiss prices held steady. Contacts are stating that cheese sales activity has improved over the past few weeks as buyers believe that a bottom has been reached and they want to buy in before prices move any higher. Some are looking for cheese for aging purposes. Both blocks and barrels are clearing well. Some additional milk was available for processing in the Western region, but not as much as is noted some years during this holiday weekend. Cold storage stocks of cheese at the end of April total 441.2 million pounds, up 3% from last year. Swiss stocks are 12.5 million pounds, up 5% from April 1997.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.4050-1.6400
Cheddar 40# Block	:	1.4325-1.6100
Cheddar 10# Cuts	:	1.6725-1.7725
Monterey Jack 10#	:	1.6275-1.7350
Grade A Swiss Cuts 6 - 9#	:	2.2800-2.3700

FOREIGN TYPE

Prices of domestic styles are generally two cents higher with imported styles reported as unchanged. The market tone is typical for this time of year. Demand and retail sale are fair. Stocks are adequate for most needs. Reports show that 1997 cheese exports from the EU-15 were 431,000 MT, 10% below the 1996 total.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
	:	:
Roquefort	: 5.5000-6.8900	: -0-
Blue	: 2.6400-3.1400	: 1.5850-2.1950*
Gorgonzola	: 3.2400-5.9400	: 2.2400-2.4950*
Parmesan (Italy)	: TFEWR	: 2.9950-3.0350*
Romano (Italy)	: 2.0900-2.9000	: -0-
Provolone (Italy)	: 3.4400-5.5000	: 1.2575-1.7850*
Romano (Cows Milk)	: -0-	: 2.7825-3.1250*
Sardo Romano (Argentina)	: 2.6500-3.2900	: -0-
Reggianito (Argentina)	: 2.6500-3.2900	: -0-
Jarlsberg-(Brand)	: 2.7400-3.1200	: -0-
Swiss Cuts Switzerland	: -0-	: 2.2500-2.5050
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: 2.2500-2.7500	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-3.0900	: -0-
Gouda, Large	: 2.3900-3.1500	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

* = Price change.